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PAGE 01 STATE 276748

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APPROVED BY EB - JULIUS L. KATZ, ACTING

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SUBJECT: BRIEFING PAPERS FOR ASSISTANT SECRETARY

ENDERS' VISIT TO STOCKHOLM: AUTOMOBILE

ANTIDUMPING INVESTIGATION, SWEDISH QUOTAS

ON SHOES, ALLOY STEEL ESCAPE CLAUSE PROCEEDING

FOR ASSISTANT SEC ENDERS

(DRAFTED: EB/STA:MCJONES)

1. AUTOMOBILE ANTIDUMPING INVESTIGATION

ON AUGUST 6 TREASURY OPENED AN INVESTIGATION OF SALES AT LESS THAN FAIR VALUE ON AUTOMOBILES FROM SWEDEN, CANADA, JAPAN, THE U.K., GERMANY, FRANCE, BELGIUM AND ITALY AND SIMULTANEOUSLY REFERRED THE CASE TO THE INTERNATIONAL TRADE COMMISSION (ITC). AFTER A PRELIMINARY 30 DAY INQUIRY, THE ITC WAS UNABLE TO EXCLUDE THE POSSIBILITY OF INJURY.

IN 1974, THE U.S. IMPORTED 7.5 BILLION DOLLARS IN AUTOMO-

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PAGE 02 STATE 276748

BILES FROM THE COUNTRIES INVOLVED, INCLUDING 227

MILLION DOLLARS FROM SWEDEN.

TREASURY NORMALLY HAS SIX MONTHS (UNTIL FEBRUARY IN THIS CASE) BEFORE IT MUST ISSUE A PRELIMINARY DETERMINATION, BUT CAN EXTEND THREE MONTHS (TO MAY) IF THE CASE IS JUDGED COMPLEX. IF ONE IMPORTER AND ONE EXPORTER REQUEST IT, THERE CAN BE A FURTHER THREE MONTH EXTENSION BEFORE A FINAL DETERMINATION IS ISSUED. THUS, THE TREASURY INVESTIGATION COULD LAST UNTIL AUGUST 1976. SHOULD TREASURY FIND SALES AT LESS THAN FAIR VALUE, THE ITC WOULD BE ASKED TO DETERMINE WITHIN 90 DAYS WHETHER INJURY EXISTS.

SWEDEN TOGETHER WITH THE EC HAS CLAIMED THAT INJURY FROM IMPORTS MUST OUTWEIGH ALL OTHER CAUSES WHILE U.S. LAW SAYS ONLY THAT THERE MUST BE INJURY TO A DOMESTIC INDUSTRY. THE SWEDES ALSO EXPRESSED THE HOPE THAT THE U.S. WOULD CONFINE ITS CONSIDERATION OF INJURY TO THE SMALL CAR SECTOR OF THE INDUSTRY. WE CONSIDER THAT OUR PROCEDURES HAVE BEEN IN CONFORMITY WITH THE GATT ANTIDUMPING CODE WHICH DOES NOT REQUIRE THAT IMPORTS BE THE PREPONDERANT CAUSE OF INJURY. IN THE EVENT TREASURY FINDS SALES AT LESS THAN FAIR VALUE, THE ITC, AN INDEPENDENT AGENCY, WILL BE RESPONSIBLE FOR DEFINING WHAT CONSTITUTES THE QUOTE INDUSTRY END QUOTE FOR THE PURPOSE OF ITS INJURY INQUIRY.

ANOTHER DEVELOPMENT WHICH COULD BECOME IMPORTANT IN REGARD TO THE ANTIDUMPING CASE IS THAT APPRAISMENT IS CURRENTLY BEING WITHHELD ON CARS OF 15 MANUFACTURERS, INCLUDING VOLVO, BECAUSE CUSTOMS IS UPDATING THE PRODUCTION DATA USED IN ASSESSING NORMAL DUTIES. IF THESE IMPORTED CARS ARE NOT APPRAISED BY THE TIME OF A FINAL DUMPING DETERMINATION (WHICH IS ISSUED AFTER ITC FINDS INJURY), CURRENT TREASURY PRACTICE UNDER THE ANTIDUMPING ACT WOULD REQUIRE ASSESSMENT OF DUMPING DUTIES ON ALL UNAPPRAISED ENTRIES FROM MARCH 8, 1975. ASSISTANT SECRETARY OF THE TREASURY MACDONALD TESTIFIED ON THIS PROBLEM BEFORE THE TRADE SUBCOMMITTEE OF WAYS AND MEANS ON NOVEMBER 18 AND STATED THAT TREASURY WAS DOING ITS BEST TO APPRAISE THESE ENTRIES BEFORE ANY FORMAL DUMPING FINDING. FOR ALL COUNTRIES CONCERNED UNAPPRAISED AUTOMOBILE ENTRIES TOTAL APPROXIMATE LIMITED OFFICIAL USE

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PAGE 03 STATE 276748

MATELY 5.5 BILLION DOLLARS.

2. SWEDISH QUOTAS ON SHOES

ON NOVEMBER 5, THE SWEDISH GOVERNMENT IMPOSED GLOBAL QUOTAS ON IMPORTS OF FOOTWEAR. SWEDISH OFFICIALS CITED NATIONAL SECURITY AND SUBSTANTIALLY INCREASED IMPORT PENETRATION AS THE REASONS FOR THEIR DECISION. WE EXPRESSED CONCERN

AT THE OCTOBER 31 GATT COUNCIL MEETING PRIMARILY ON THE GROUNDS THAT THE SWEDISH IN CAMERA DETERMINATION APPEARED TO BE MADE ON THE BASIS OF ARBITRARY PROCEDURES WHICH MADE IT DIFFICULT FOR CONTRACTING PARTIES TO JUDGE WHETHER THE SWEDISH ACTIONS WERE JUSTIFIED UNDER ARTICLES 19 (SAFEGUARDS) AND 21 (NATIONAL SECURITY) OF THE GATT. MINDFUL OF OUR OWN ESCAPE CLAUSE ACTION ON FOOTWEAR, WE ACKNOWLEDGED THAT THE SWEDISH GOVERNMENT MIGHT HAVE A NEED TO PROTECT ITS FOOTWEAR INDUSTRY, BUT CONTRASTED OUR OWN CLEARLY DEFINED CRITERIA AND OPEN PROCEDURES WHICH PROVIDE ALL INTERESTED PARTIES, INCLUDING GOVERNMENTS, AN OPPORTUNITY TO COMMENT. A NUMBER OF OTHER COUNTRIES AND THE EC HAVE VIGOROUSLY PROTESTED THE SWEDISH ACTION.

3. ALLOY STEEL ESCAPE CLAUSE PROCEEDING

THE SWEDES MAY EXPRESS CONCERN REGARDING THE OUTCOME OF THE ESCAPE CLAUSE INVESTIGATION NOW BEING CONDUCTED BY THE INTERNATIONAL TRADE COMMISSION TO DETERMINE WHETHER IMPORTS OF CERTAIN ALLOY STEEL ARE CAUSING OR THREATENING SERIOUS INJURY TO THE DOMESTIC INDUSTRY. IN 1974, SWEDISH SHIPMENTS OF THE PRODUCTS OF INTEREST WERE VALUED AT 33 MILLION DOLLARS, OR ABOUT 15 PERCENT OF TOTAL IMPORTS FROM ALL COUNTRIES. JAPAN IS THE PRINCIPAL SUPPLYING COUNTRY. THE SWEDES BELIEVE THE DOWNTURN IN THE BUSINESS CYCLE, RATHER THAN IMPORTS, IS THE PRINCIPAL CAUSE OF THE DIFFICULTIES BEING EXPERIENCED BY THE DOMESTIC INDUSTRY AND POINT OUT THAT THE DECLINE IN DEMAND HAS HAD A WORLDWIDE IMPACT. FURTHER, THAT THE DIFFICULTIES ARE TEMPORARY AND DO NOT MARK THE BEGINNING OF A LONG TERM DECLINE IN THE FORTUNES OF THE UNITED STATES INDUSTRY. THE ITC IS EXPECTED TO REPORT ITS FINDINGS EARLY NEXT JANUARY. IF THE ITC MAKES AN AFFIRMATIVE DETERMINATION, LIMITED OFFICIAL USE

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PAGE 04 STATE 276748

TION, THE PRESIDENT MAY INCREASE TARIFFS, IMPOSE QUOTAS OR UNDERTAKE TO NEGOTIATE ORDERLY MARKETING AGREEMENTS WITH EXPORTING COUNTRIES. HE MAY ALSO PROVIDE ADJUSTMENT ASSISTANCE EITHER SEPARATELY OR IN CONJUNCTION WITH IMPORT RELIEF MEASURES. KISSINGER

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